



**Subject: REIMBURSABLE ACCOUNTING**

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**01-70-10 Authorities**

Following are the provisions in law and other regulations that pertain to reimbursable accounting:

- Title 31 USC, Section 1535 (the Economy Act)
- OMB Circular A-34

**1-70-20 Scope**

All OPDIVs of HHS will follow the basic instructions contained in this chapter, supplementing their accounting systems as necessary to insure full implementation. These procedures are equally applicable to reimbursable work being performed by annual and multi-year appropriations and by revolving funds.

OPDIVs will refer to Chapter 10-20, Charges and Credits Between Appropriation Accounts (Expenditure and Nonexpenditure Transfers) which described in detail the various legal authorities and the differences between expenditure and nonexpenditure transfers.

**1-70-30 Basic Policy**

Throughout the federal government agencies are encouraged to provide services to other agencies and to non-federal entities on a reimbursable basis. The first step is the establishment of an agreement on the services to be performed, the basis for the price, and the method of payment. To perform these services for others the "performing agency" obtains reimbursable budget authority from OMB each fiscal year. The federal "ordering" agency pays for these services from their direct appropriations. If the reimbursable agreement is with a non-federal entity the "performing agency" collects a fee in advance unless otherwise permitted by law.

Advances are not normally collected from federal agencies although there may be an exceptional case when an advance may be appropriate.

At the end of the year the reimbursable agreements lapse although the services supported by obligations by the "performing agency" may be completed in the following year. (See 31 USC 1535(d)). Any unused amounts in the unfilled orders account will be canceled. The remaining amounts in estimated reimbursement authority is reversed. At year-end (post closing) the amounts remaining open are any undelivered orders and the corresponding unfilled orders, and any reimbursements receivable with the corresponding expended authority (unpaid) or total resources to be collected in the following year. All expenditures (paid and unpaid) are to be supported by collections from the client and by billed receivables. If there are extenuating circumstances barring billed receivables, the amounts to be billed will be recorded as unbilled receivables.

Advances from the client entities are applied at the time expenditures and reimbursements earned are recorded. Any excess advances are returned to the client entity. The "ordering agency" promptly records the receipt of services upon notification by the "performing agency," promptly pays for the services provided and/or liquidates any amount advanced for the reimbursable agreement. The "ordering agency" will also deobligate any amount in excess of the amount not obligated by the "performing agency" before the end of the period of availability of the funds. It is the responsibility of the "performing agency" to notify the "ordering agency" of the amount remaining obligated for unfilled orders at the close of the year.

#### **01-70-40 Key Implementing Requirements**

It is essential that all OPDIVs performing reimbursable services be able to distinguish between direct and reimbursable authority, and carry this funding identification through all transactions from apportionment through expended authority. Therefore, CANs will be established to uniquely identify direct and reimbursable program activity. These measures will reduce the risk of direct appropriations becoming overobligated or over spent. If for any reason, direct appropriations are used in filling customer orders an adjustment to reimbursable authority will be made when amounts can be identified to reimbursable agreements.

A common agreement number should be established and recorded as the primary or secondary document number by both the "ordering" and "performing" agency and, at a minimum, used in transactions to record orders placed and received (ordering agency), orders accepted and reimbursements earned (performing agency) and customer orders billed (performing agency).

In an ideal system each cost incurred in the delivery of goods and services would be identified to the common agreement number, or task order, as the obligation and expenditure takes place, but in most HHS systems such a cost system cannot be implemented, nor would it be advisable to do so. At a minimum to meet government accounting and reporting standards, the system must be capable of accomplishing the following:

- Identify an advance of cash to the agreement and hold as an liability until the order is filled,
- Record unfilled customer orders according to whether or not an advance was received,
- Record reimbursements earned as either collected or receivable, after coupling costs to individual unfilled customer orders - with an advance or no advance,
- Record revenue from goods and services provided as the customer is billed or the advance is applied to the order,
- Display revenues and costs in the Statement of Net Cost by lines of business, program and budget function,
- Prepare Statement of Budgetary Resources using standard general ledgers accounts that distinguish reimbursable resources as: anticipated, unfilled customer orders (with and without advance) and earned reimbursements (receivable and collected).

An illustrative case study is at Exhibit 1-70-B. The study assumes the performing agency receives orders with an advance and orders with no advance. After costs have been accrued (TC 091), the costs are manually reviewed to determine which of the orders have been filled and whether an advance had been received. At this point, an entry is made (TC 336) to record the reimbursements- received and reimbursements-collected and to reduce the unfilled customer orders-with an advance and no advance. Simultaneously, the customer is billed (TC132), or the advance is applied (130), and the revenue from goods and services is recorded. An excess of cash is returned to the customer (TC185).

There can be alternatives to these transactions. For instance, if all the customers are other federal agencies and orders are filled without an advance, TC336 can be merged with TC091. However, since the customer order number will (probably) not be carried in the expenditure transaction, a certain amount of analysis must be performed to allocate costs to the customer before preparing the billing. Any analysis that is required should be done quarterly in order to properly prepare the budgetary trial balance for FACTS II transmission.

**01-70-50 Reimbursable Events - Performing Agency**

Following are the events that occur during the year in the providing of services:

- Request anticipated reimbursable authority from OMB,
- Receive reimbursement apportionment from OMB,
- Establish reimbursable allotments/allowances and related CANS,
- Receive reimbursable orders from clients and record unfilled customer orders,
- Receive cash advances on some customer orders,
- Commit/obligate funds to provide the requested services,
- Record the delivery of services (reimbursements earned), reducing the orders to be filled (unfilled customer orders), and voucher the amount to be paid the supplying vendor,
- Identify the costs incurred to the individual reimbursable agreements, according to whether or not an advance was received with the order,
- Bill the client and/or reduce the amount previously advanced for the revenue earned,
- Liquidate the payable, and
- Return any excess advance to the client.

Exhibit 1-70-B shows how these events are recorded by transaction code, general ledger account, fund group and reimbursable sub-object classification in a pro-forma case study including trial balances, closing entries and the reporting of account balances on the SF-133, Budget Execution Report.

**01-70-60 Analysis of Accounts**

The reimbursable costs and expenditures, account 6101 (and asset accounts if the agreement calls for providing property items) and 4900 should agree. There should also be a continuing comparison of these costs with revenues earned from services provided, 5200, and goods sold, 5300. There may be instances when the revenue earned is less than the costs incurred. Fixed price agreements may be less than actual costs incurred or when the client is consistently billed at less than actual incurred, in which case the shortfall must be absorbed by direct appropriations. For revolving funds, each activity within a line of business should recover its share of full costs; one activity should not subsidize the short fall of another activity. Overall, unreimbursed costs will deplete the funds intended for future working capital or capital replacements.

**BUDGETARY CONCEPTUAL FRAMEWORK  
(Providing Entry)**

Reimbursable Resources	Status of resources
4210 Anticipated Reimbursements and Other Income	4450 Unappropriated Authority
4221 Unfilled Customer Orders Without Advance	4590 Apportionments Unavailable - Anticipated Resources
4222 Unfilled Customer Orders With Advance	4611 Allotments Available for Commitment/Obligation
4251 Reimbursements and Other Income Earned - Receivable	4612 Allowances Available for Commitment/Obligation
4252 Reimbursements and Other Income Earned - Collected	4700 Commitments
	4801 Unexpended Obligations - Unpaid
	4802 Undelivered Obligations - Prepaid/Advanced
	4871 Downward Adjustments of Prior-Year Unpaid Unexpended Obligations
	4872 Downward Adjustments of Prior-Year Prepaid/ Advanced Unexpended Obligations Refunds Collected
	4881 Upward Adjustments of Prior-Year Unpaid Unexpended Obligations
	4882 Upward Adjustments of Prior-Year Prepaid/ Advanced Unexpended Obligations
	4901 Expended Authority - Unpaid
	4902 Expended Authority - Paid
	4971 Downward Adjustments of Prior-Year Unpaid Expended Authority
	4972 Downward Adjustments of Prior-Year Paid Expended Authority Refunds Collected
	4981 Upward Adjustments of Prior-Year Unpaid Expended Authority
	4982 Upward Adjustments of Prior-Year Paid Expended Authority

**Pro-forma Transactions**

All transactions will be processed with IMN ranges 000-399 and 900-959. For the sake of simplicity no subsidiary classifications (D/R, G/N, etc.) are shown with the SGL account. Only the reimbursable components of the various transaction codes are shown.

TC 006 Anticipated reimbursable authority, requesting apportionment on SF-132

		<u>Dr.</u>	<u>Cr.</u>	<u>Ob Cl</u>
4210	Anticipated Reimbursements and Other Income	2,000		99.00
4450	Unapportioned Authority		2,000	

TC 007 Receives apportionment from OMB (modified)

4450	Unapportioned Authority	900		99.00
4590	Apportionment Unavailable - Anticipated Resources		900	

(post 4590 by reimbursable fund group)

TC 310 Receives reimbursable orders (modified)

4221	Unfilled Customer Order Without Advance	150	(new)	61.7J
4222	Unfilled Customer Order With Advance	600	(new)	61.7K
4210	Anticipated Reimbursements and Other Income		750	
	-and-			
4590	Apportionments Unavailable - Anticipated Resources	750		
4512	Apportionment Available for Distribution - Subsequent Quarters		750	

(this would be followed by TC 013 to distribute to current quarter-for simplicity this case study will not show the TC)

TC 238 Received advance for reimbursable orders (modified)

1015	Fund Balance with Treasury – Collections	600		61.72
2313	Advances - All Others		600	

TC 030 Issues allotment

4511	Apportionment Available for Distribution - Current quarter	750		99.00
4611	Allotments Available for Commitment/Obligation		750	

(this would be followed by TC 031, but is omitted for simplicity of the case study)

		<u>Dr.</u>	<u>Cr.</u>	<u>Ob</u>	<u>Cl</u>
TC050	Obligates for reimbursable orders				
	(first entry)				
4611	Allotments Available for Commitment/Obligation	750		24-26	
4801	Unexpended Obligations -Unpaid		750		
	(second entry)				
4801	Unexpended Obligations -Unpaid	275		24-26	
4611	Allotments Available for Commitment/Obligation		275		
TC091	Records services performed and accrues the expense and payable				
6101	Operating/Program Expense	455		24-26	
2110	Accounts Payable		455		
	-and-				
4801	Unexpended Obligations - Unpaid	455			
4901	Expended Authority – Unpaid		455		
TC336 (new)	To record amount of reimbursable expense incurred to reimbursements earned and distribute costs to unfilled customer orders				
4251	Reimbursements and Other Income Earned - Receivable	130		61.7J	
4252	Reimbursements and Other Income Earned - Collected	325		61.7K	
	-and-				
4221	Unfilled Customer Orders Without Advance		130		61.7J
4222	Unfilled Customer Orders With Advance		325	61.7K	
TC130	Record reimbursable revenue earned that was financed by an advance				
2313	Advances - All Other	325			
5100	Revenue From Goods Sold		-0-	61.61	
5200	Revenue From Services Provided		325	61.62	
TC132	Record reimbursement revenue earned that was not financed by an advance and requires billing				
1311	Advances and Reimbursements Receivable - Billed	130			
5100	Revenue From Goods Sold	-0-		61.61	
5200	Revenue From Services Provided		130	61.62	

		<u>Dr.</u>	<u>Cr.</u>	<u>Ob Cl</u>
TC 134	Record reimbursement revenue earned that was not Financed by an advance, but not ready to be billed			
1314	Advances and Reimbursements Receivable - Unbilled		-0-	
5100	Revenue From Goods Sold		-0-	61.61
5200	Revenue From Services Provided		-0-	61.62
TC185 (new)	Return advance when the cost of reimbursable order is less than the advance			
2313	Advances - All Other	275		61.72
1012	Fund Balance With Treasury – Disbursements Other Than Payroll		275	
	-and-			
4210	Anticipated Reimbursements and Other Income	275		
4222	Unfilled Customer Orders With Advance		275	
	(this entry is made prior to year-end) (also, if individual orders are maintained, the remaining amount of the undelivered order should be deobligated)			
TC050	Deobligate amount remaining when a reimbursable order has been filled			
4801	Unexpended Obligations - Unpaid	275		24-26
4611	Allotments Available for Commitment/Obligation		275	
TC192	Liquidate the amounts payable			
2110	Accounts Payable	455		24-26
1012	Fund Balance with Treasury - Disbursements Other Than Payroll		455	
	-and-			
4901	Expended Authority - Unpaid	455		
4902	Expended Authority - Paid		455	
	(payments may also be made under TCs 181, 190 and 191) (also we have not shown the additional entries that would be required in the event the payment is more or less than the amount accrued)			

**Trial Balances and Closing Entries**

<u>Preclosing</u>	<u>(first year)</u>	<u>Dr.</u>	<u>Cr.</u>
1012	Fund Balance with Treasury - Disbursements (Other Than Payroll)		730
1015	Fund Balance with Treasury - Collections	600	
1311	Advances and Reimbursements Receivable - Billed	130	
6101	Operating /Program Expenses	455	
5200	Revenue From Services Provided		455
		1185	1185
4210	Anticipated Reimbursements and Other Income	1525	
4221	Unfilled Customer Orders Without Advance		20
4251	Reimbursements and Other Income Earned - Receivable	130	
4252	Reimbursements and Other Income Earned - Collected	325	
4450	Unapportioned Authority		1100
4590	Apportionment Unavailable - Anticipated Resources		150
4611	Allotments Available for Commitment/Obligation		275
4801	Unexpended Obligations – Unpaid		20
4902	Expended Authority – Paid		455
		2000	2000

<u>Closing Entries</u>	<u>Dr.</u>	<u>Cr.</u>
(A) Close Expenses and Revenues		
5200 Revenue From Services Provided	455	
6101 Operating/Program Expenses		455
(B) Close Expended Authority		
4902 Expended Authority - Paid	455	
4201 Total Actual Resources - Collected		455
(C) Close Anticipated and Unobligated Authority		
4450 Unapportioned Authority	1100	
4590 Apportionment Unavailable - Anticipated Resources	150	
4611 Allotments Available for Commitment/Obligation	275	
4210 Anticipated Reimbursements and Other Income		1525
(D) Close Earned Reimbursements		
4201 Total Actual Resources - Collected	325	
4252 Reimbursements and Other Income Earned - Collected		325

<b><u>Postclosing</u></b>	<b>(first year)</b>	<b><u>Dr.</u></b>	<b><u>Cr.</u></b>
1011	Fund Balance With Treasury - Authority		130
1311	Advances and Reimbursements Receivable - Billed	130	
		135	130
221	Unfilled Customer Orders Without Advance	20	
4251	Reimbursements and Other Income Earned - Receivable	130	
4801	Undelivered Orders - Unpaid		20
4201	Total Actual Resour - Collected		30
		150	150

**Pro-forma Transactions – 2<sup>nd</sup> Year**

		<b><u>Dr.</u></b>	<b><u>Cr.</u></b>	<b><u>Ob Cl</u></b>
TC091	Records services performed and accrues the expense and payable			
6101	Operating/Program Expense	20		24-26
2110	Accounts Payable		20	
	-and-			
4801	Unexpended Obligations - Unpaid	20		
4901	Expended Authority-Unpaid		20	
TC336 (new)	To record amount of reimbursable expense incurred to reimbursements earned and distribute costs to unfilled customer orders			
4251	Reimbursements and Other Income Earned - Receivable	20		61.7J
4221	Unfilled Customer Orders Without Advance		20	
TC132	Record reimbursement revenue earned that was not financed by an advance and requires billing			
1311	Advances and Reimbursements Receivable - Billed	20		61.62
5200	Revenue From Services Provided		20	
TC192	Liquidate the amounts payable			
2110	Accounts Payable	20		
1012	Fund Balance with Treasury - Disbursement (Other Than Payroll)		20	24-26
	-and-			
4901	Expended Authority-Unpaid	20		
4902	Expended Authority-Paid		20	

TC220 Collections-Advances and Reimbursements-Billed (Modified)		<u>Dr.</u>	<u>Cr.</u>	<u>Ob Cl</u>
1015	Fund Balance With Treasury - Collections	150		61.75
1311	Advances and Reimbursements - Billed		150	
	-and-			
4252	Reimbursements and Other Income Earned - Collected	150		
4251	Reimbursements and Other Income Earned - Receivable		150	

**Trial Balance and Closing Entries**

<u>Preclosing</u>	(second year)	<u>Dr.</u>	<u>Cr.</u>
6101	Operating/Program Expenses	20	
5200	Revenue From Services Provided		20
		20	20
<hr/>			
4252	Reimbursements and Other Income Earned - Collected	150	
4201	Total Actual Resources - Collected		130
4902	Expended Authority - Paid		20
		150	150
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Closing Entries

(A)	Close Expenses and Revenues	<u>Dr.</u>	<u>Cr.</u>
	5200 Revenue From Services Provided	20	
	6101 Operating/Program Expenses		20
(B)	Close Expended Authority		
	4902 Expended Authority - Paid	20	
	4201 Total Actual Resources - Collected		20
(C)	Close Earned Reimbursements		
	4201 Total Actual Resources - Collected	150	
	4252 Reimbursements and Other Income Earned - Collected		150

**Standard Form 133 Report of Budgetary Execution for Goals**

<u>Line #</u>	<u>Begin/ Ending Balance</u>	<u>Interim Final</u>	<u>Amount</u>	<u>Account Number and Title</u>	
1					
2					
3A1	E	I/F	325	4252	Reimbursements and Other Income Earned - Collected
3A2	E	I/F	130	4251	Reimbursements and Other Income Earned - Receivable
3B1	E	I/F	-	4222	Unfilled Customer Orders with Advance
3B2	E	I/F	20	4221	Unfilled Customer Orders Without Advance
3C2	E	I/F	1525	4210	Anticipated Reimbursements and Other Income
7			2000		CALC (3A + 3B + 3C)
8A					
8B					
8C					
8D	E	I/F	20	4801	Unexpended Obligations - Unpaid
	E	I/F		4802	Unexpended Obligations - Prepaid/Advanced
	E	I/F		4881	Upward Adjustments of Prior-Year Unpaid Unexpended Obligations
	E	I/F		4882	Upward Adjustments of Prior-Year Prepaid/Advanced Unexpended Obligations
	E	I/F		4901	Expended Authority - Unpaid
	E	I/F	455	4902	Expended Authority - Paid
	E	I/F		4981	Upward Adjustment of Prior-Year Unpaid Expended Authority
	E	I/F		4882	Upward Adjustment of Prior-Year Paid Expended Authority

**Standard Form 133 Report of Budgetary Execution for Goals (continued)**

<u>Line #</u>	<u>Begin/ Ending Balance</u>	<u>Interim Final</u>	<u>Amount</u>	<u>Account Number and Title</u>
9A1	E	I/F	275	4610 Allotments - Realized Resources
9A2	E	I	150	4590 Apportionments Unavailable - Anticipated Resources
10D	E	I	1100	4450 Unapportioned Authority
11			2000	CALC (8 + 9 + 10)
12				N/A
13				Not derived from SGL Accounts
14A	E	F	130	4251 Reimbursements and Other Earnings - Receivable
14B1	E	F	20	4221 Unfilled Customer Orders Without Advance
14C	E	F	20	4801 Unexpended Obligations - Unpaid
14D	E	F		4901 Expended Authority - Unpaid
15A	E	F	455	4902 Expended Authority - Paid
15B	E	F	325	4252 Reimbursements and Other Income Earned - Collected
15			( 130)	CALC 8 - (3A + 3B + 3D + 4A) + 12 or - 13 - (14A - 14B1 + 14C + 14D)